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CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE

NAV US-64 and Status of other Schemes of Unit Trust of India affecting lakhs of small investors

SHRI NARENDRA MOHAN (Uttar Pradesh): Mr. Chairman, Sir, I beg to call the attention of the Minister of Finance to the 'NAV of US-64 and status of other Schemes of Unit Trust of India affecting lakhs of small investors'.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Mr. Chairman, Sir, Unit Trust of India was set up under the UTI, Act in 1963 as a vehicle for promoting savings and investments and as a means for investors to participate in the income, profits, gains accruing to the corporation from the acquisition, holding, management and disposal of Securities. UTI introduced the Unit Scheme-64 (US-64) as a saving vehicle as well as a means for investors to participate in the Capital Market and which would provide a reasonable return to the investor. Indeed, the whole concept of pooling the small savings of investors and using it for investment activities through the capital market began with the US-64 Scheme over 34 years ago. It has over the years built up an overwhelming base of small investors. As on June 1998, the assets of the portfolio of US-64 stood at Rs. 21,738 crore and the investor base was approximately 21 million.

At present the portfolio under US-64 comprises around 64% of equity and the balance in Government securities, corporate debt instruments and real estate property of UTI. Major part of the equity investment under the Scheme is in blue chip,companies of private and public sector, banks and Financial Institutions. Many of these investments are long term and strategic in nature.

The scheme is run on the basis of a sale price and repurchase price announced every month. In July every year, a special sale price is announced. The sale and repurchase price of US-64 are not solely based on the net asset value (NAV), but also on the need to protect the value of investment at the time of repurchase by the unit holder and a reasonable return on their investment. As on 30.6.98, when the balance sheet of US-64 was drawn, it was found that there was depreciation in the value of investment to the tune of Rs. 3566 crore. This was on account of the after effects of world wide and domestic adverse movement of stock price. The domestic stock index fell by 21% between May 5 and June 30, 1998. Since UTI decided to charge the depreciation to the reserve account of US-64, the reserve account showed a negative balance of Rs. 1098.49 crore. This depreciation is national and as and when the stock market price improves the national depreciation would be recouped.

On 29.6.98 when income distribution of 20% amounting to Rs. 3125 crore was announced under US-64, *it was out of net income of Rs. 3222 crore earned during the year.* Income distribution was solely from the earnings made during the year.

The Unit Scheme 64 was discussed in the meeting of the last Consultative Committee attached to the Ministry of Finance on 14.10.1998 where members across all party lines were appreciative of the Government assurance that UTI has the full backing of Government.

Further UTI has also set up a six member Expert Committee headed by Shri Deepak Parekh, Chairman, Infrastructure Development Finance Corporation to review the US-64 Scheme for further strengthening it in the context of the role in the mobilisation of domestic savings and investment in the capital market.

UTI has stated that none of the UTI schemes has a negative Net Asset value. Certain schemes of Unit Trust of India

like Unit Scheme-64, Unit Linked Insurance Plan and Charitable Religious Trust Scheme (CRTS) are not NAV driven. These funds have been regularly giving a good return to the investors. Certain other schemes like Monthly Income Scheme and Children Scheme give an assured rate of return and are also not NAV based.

Schemes which invest in equity, bonds and othr money market instruments regularly calculate and provide NAV. The NAV of such schemes fluct iate with the market value of the underlying assets. Of the 21 equity funds managed by Unit Trust of India, 18 have outperformed the BSE sensex.

SHRI NARENDRA MOHAN (Uttar Pradesh): Mr. Chairman, Sir, I am glad that the Minister has been kind to give a detailed reply on various issues. But the problems are still not very clear. The basic problem is whether the confidence of the 21 million investors in US-64 is back or not. His reply does not speak of that. And I read a newsitem in the *Economic Times* published yesterday that not just US-64, but the UTI's 32 other schemes are in disarray. I would like to know whether this statement is correct. If it is not correct, what is the way out for it? The point is that the US-64 is not a scheme which is under the scrutiny of SEBI. It is out of SEBI prospects and it is said that being a statutory scheme, this should not be under the SEBI rule and that that is why this problem is always there. The question is that the Net Asset value of the various units of the UTI is going down. Why is it going down? It is not enough to say that because the market is falling, because the share market is falling, this is happening. Why is there so much erosion in the basics value? There is erosion in the basic value and the total erosion they have suffered is around Rs. 8,000 crores perhaps much more. It is a huge amount. And if so much erosion is there in the basic value of the scrips which the UTI is handling then, how is it going to be correct? The Deepak Parekh Committee has suggested that a special vehicle or a special parking place has to be given to these; they call it illiquid scrips. These illiquid scrips are of public sector units. These illiquid scrips are also of such industries which are not faring well. All that has gone down. Besides, it is not specifically saying why this ratio has been changed. This ratio at present is 64 per cent in equity and the balance is in fixed assets investment or maybe in debt investment. What is the quantum of NPA in those debts? It is not clear. The overall picture is that the UTI is not working transparently and that is my basic complaint. Why is the UTI not working under a transparent regime? Why are they not telling the country and the investors what the Net Asset Value of US-64 and other schemes is? This is the basic question which has been raised every time and this is where the Government of India should tell the UTI because the UTI is functioning under the Government. It is the Government of India which is sometimes forcing the UTI to purchase such scrips which they do not want to purchase. I do not know whether this charge is correct or not. I would further like to place it on record that when the sensex was down by 28 per cent, when this whole erosion took place, even now it has not recovered. It is not a question of only a couple of months. So the total erosion is being settled and nobody knows the actual worth of the investments which are being made in the UTI. That should be clarified. It should also be clarified why the UTI is refusing to function as a Mutual Fund. The State Bank of India's Mutual Fund is working. They are transparent. They are always giving their Net Asset Value. But why is the UTI not functioning? On this I want a detailed reply from the Minister. US-64 is for the mixed buy. It was an avenue for the investors and secondly, it was a place where the corporate sector used to keep its surplus cash. So, it is more or less a Mutual Fund. It is a trust money. When there is a trust money, there has to

be more transparency. Now, if this transparency is there, then it will certainly boost the confidence of the investors. Twenty-one million investors are looking to the Government of India, looking to the UTI. They should be more clear, they should be more transparent. Sir, on 28th September, a news was there that a total erosion of the reserves has taken place. There was a long holiday on the 6th or 7th of October, and when the market opened, there was a long queue. Thousands of people were there to redeem their units and, in a couple of days, 700 crores of rupees worth of units became redundant. This is a huge amount. This shows that the confidence was lacking. Now, I am glad that somehow the Government of India has been able to hold the public confidence. But still, the Government of India is not very clear whether they want to have transparency in the UTI, whether they want to permit the UTI, or, they want to compel the UTI to become more transparent because, unless there is transparency, the general confidence will not come back. The Balance Sheet has been published yesterday in newspapers. It shows something which is very revealing. As per the Balance Sheet, the liability under US-64 is Rs. 24,329 crores. How are you going to meet this liability? One has to look into it. Of course, this difference of Rs. 8,744 crores is needed to meet this liability. This can only be met either out of capital or out of selling all the fixed assets. If you sell the fixed assets, how will the UTI run? There can be another way of looking at it. The other way is that this liability of Rs. 24,329 crores is backed by assets which are worth Rs. 19,151 crores. Again, there is a gap. There are fixed assets also worth Rs. 366 crores and the asset of Development Reserve Fund of Rs. 649 crores. We do not know what the actual NPA is there also. How has it been calculated? It is not clear at least from this abridged Balance Sheet that has been published.

The second point that I would like to make is that it mentions the current assets which are worth Rs. 3,445 crores. Again, the liability of the current assets is Rs. 8,808 crores. So, I fail to understand how they are going to meet all these liabilities which are being published in newspapers in their current Balance Sheets. I am referring only to US-64. The comments are and I would like to read them, "It is not just the US-64 Scheme which has been seeing its reserves dip into negative terrain. As on June 30, 1998, as many as 39 schemes of UTI had negative reserves totalling Rs. 2,014 crores". So, it is not only US-64, the comment is, "There are 39 schemes". This comment is on the latest Balance Sheet which has been published. When the Minister is referring to the details of UTI, he should tell us what the situation is. A close look at this Scheme shows that the reported negative reserve indicates that it has a significant debt component also. Out of this debt component, what is the NPA? This is not very clear either from the Balance Sheet or from the Minister's reply. These non-performing assets are sometimes huge, as you see in banks. What is the Government thinking about it? The Government is compelling financial institutions and banks to purchase US-64 and other Units. Okay, it is good enough. In the interest of the company and in the interest of the country, I would say this is a good move. We have to save the UTI, at least. Do save the UTI. But you are passing on the liabilities of UTI to banks and financial institutions, which perhaps, in turn may create a bigger crisis. So, there should be transparency. We should know what the worth is. UTI thinks the worth of the Unit is around Rs. 14 or Rs. 15. But as per experts who have calculated it, the worth of the Unit is not more than nine-and-a-half rupees. Why is there such a big gap? The experts in the financial market and the experts who deal in scrips say that the worth of US-64 is not more than nine rupees and fifty paise. The Government says it is more than Rs. 14.50 or Rs. 15/-. That is the purchase value. Who is going to subsidise

t? How is this gap going to be bridged? Who is bridging this gap? Unless these points are made clear, Sir, it would be very difficult to get back the confidence of 21 million investors who are looking towards the UTI and towards the Government. Let there be complete transparency. I request the Finance Minister to tell the UTI that they should accept the same supervision of SEBI which is meant for other mutual funds. The UTI is also a mutual fund. The UTI Scheme of US-64 is also a mutual fund. It s wrong to say that it is not a mutual und and it is not a scheme which cannot e covered under the law which has been ramed for the country. What is the harm f it is covered under the same law? I don't think any harm is going to happen if transparency is given to UTI. That is my submission, and I seek the replies of the hon. Minister.

SHRI GURUDAS DAS GUPTA (West Bengal): Sir, frankly speaking, the Minister in his reply has sought to cover up the whole crisis that has overtaken the UTI. If the things were so simple that there is no depletion of resources to the extent the Government is worried of, then what was the necessity of my hon. friend coming in the public and declaring that UTI is RBI; if RBI cannot fail, UTI also cannot fail. Such a declaration, unprecedented by the the Finance Minister was reasonably done because there was a grave concern among the investors. The statement which he made in the public amounts to giving a Government guarantee. If the Finance Minister is on record saying that UTI is just like RBI and it cannot fail, then it amounts to the Government giving a guarantee to the units. This is unprecedented, unusual and the unusual step had to be taken by the Minister of Finance because there was, for some time at least, an unusual panic among the investors.

Secondly, the hon. Finance Minister lacks self confidence. And that naturally should be because the Government is passing from one crisis to another. Because he lacked confidence, therefore, he had to call upon the important corporates of the country to fall in line and join him in the salvage operation of UTI. This never happened in this country. Why was it necessary? If everything is all right with the UTI, if everything is fine, then why was this unprecedented step taken by the Government in co-operation, I don't say collusion, with the big corporate houses of the country? That only indicates, Sir, that there was and there is a crisis, whether you call it a crisis, whether you call it a scandal, whether you call it a lack of confidence, whether you call it a scam, whatever may be the nomenclature, there was a serious situation involving the largest mutual fund of the country, having been able to draw the hard-earned savings, not of 21 million, Sir, but — of 30 million — 3 crores of people have invested, and this represents a substantial part of the social saving of the country. The people have put in their savings to draw on its return for their own subsistence. That is the whole importance, but the hon. Minister does not believe that he has to accept the responsibility or he has to tell the truth. He is suffering from a lack of transparency as the management of UTI is also suffering from lack of transparency. Tranparency. does not mean irresponsibility. Transparency means accepting the reality and looking for the remedy. Since he is not accepting the reality, therefore, there may be a lack of remedial measures that are needed at the moment. Sir, as far back as on 23rd October, 1998, much before the Parliament met, I wrote a long letter to my friend. I did not wait for the Parliament to meet. Unfortunately, he has no time to answer. Ministers in our country generally do not answer letters of even MPs, leave alone the question of attending to the problems of common citizens. In the letter itself, Sir, I had said that the affairs of the UTI had been allowed to drift for too long without any effective steps to monitor the rust, or to make it accountable to anyone. I wrote it

on 23rd October. Sir, the question is, the hon. Minister has not shared the information with us.

There are three audit reports in three consecutive years. They had given red signals to the management, to the Government. The three audit reports have stated that something was greatly wrong with the UTI. The last audit report is given by a leading audit firm of the country. The latest report said that the development fund would be inadequate to meet the shortfall when the scheme come up for redemption. That was the audit report. He has not referred to it because it is inconvenient for him. In some way, the audit report has been ignored by the UTI management. When the danger signals were given, the UTI management ignored the audit reports the way my honourable friend ignored them.

Sir, in the last two years, the UTI has paid dividends without arming a proportionate income. They have been paying dividends dipping into the reserve funds. Last year, the UTI paid a dividend of Rs. 2,804.63 crores out of an income of Rs. 2,414 crores. They were to dip into the reserve funds. A year before last, they paid a dividend of Rs. 2,700 crores against an income of Rs. 1,596 crores. That led to depletion of reserve funds, and because the reserve funds got depleted, Sir, there was a legitimate concern among a large section of the common investors of the country. Sir, it is well-known, and the Minister had accept it because it was on record, that the annual balance showed a deficit of Rs. 1098 crores. Why is there a dificit? The Minister most conveniently falls upon on adverse international financial environment as the reason for the debacle or the crisis that has overtaken the UTI. That may be a partial reason, but that cannot be the only reason. Sir, the point is, the investments that have been made by the UTI had not been economical, and that is the essential point. Investments that the UTI made, had not been legitimate, had not been reasonable. It was sometimes pandering to the whims of a select group of business houses.

Let me quote a report, as I have it, a study of 24 holdings. Under US-64, comprising 50 per cent of the total investment, it shows a further erosion of Rs. 935 crores. It is a separate study made. There is a depletion to the extent of nearly a thousand crores of rupees. Not only that, Sir, the equity portfolio of UTI flagship scheme, US-64, has lost Rs. 3,564 crores in one year. How could this happen in one year? Sir, I am not here to scare the investors because I am confident that the Government will restore the confidence of investors. My intention is not to scare the investors, and result in the outgo of funds; that is not my intention. But, a spade must be called a spade. That can only bring about necessary remedial measures from the Government.

Sir, the point is, today the net asset value of a unit is below the face value. It may be Rs. 9, Rs. 9.5 or whatever may be. The net asset value of the unit is below the face value and that is the real crisis.

And that is concerning the most prestigious, most profitable, most propagated and most glamorous scheme drawn up by them. Sir, my point is that the Ministry of Finance has taken advantage of the glamorous company of the UTI. It has enjoyed the company of the UTI but it never paid for the companionship. The Government has never paid for the companionship. They have made use of, they have enjoyed the company, the most glamorous company. They have flirted. How? The UTI was made use of to tackle the destabilisation. I am using their words and not mine, 'it is the destabilisation of the secondary market.' The UTI was made to buy, the UTI was made to sell, it was made-to-order decisioins of the Ministry of Finance and the UTI was made to absorb the Government papers. Therefore, the UTI had to

dance to the tune of the Government. That is why the Government has flirted. But, where had the Government failed? While making use of the UTI, the Government had failed to take any effective steps to monitor, to supervise, to guide, to streamline and to discipline the UTI. The Government failed to bring it under an effective control. The UTI was left to itself. In exchange, the UTI was pandering to the wishes of one after another Finance Minister. In exchange for all that, it was allowed to play its game. Sir, the point is that there is a serious lacuna in the UTI Act. Never has it been amended. What is the lacuna? Who is there to supervise the UTI? My friend, if he kindly recollects, was a Member of the Joint Parliamentary Committee, along with all of us which looked into the problem. Sir, the change of position changes the colour of understanding. That is the tragedy of the situation. ...*(Interruptions)*...

SHRI YASHWANT SINHA: He will also change his position. ...*(Interruptions)*...

SHRI GURUDAS DAS GUPTA: God bless, I do not change my position. ...*(Interruptions)*...

Sir, let me quote ...*(Interruptions)*... Sir, in 1987, Mr. Dave was the Chairman of the SEBI when it was set up. Mr. Dave wanted the UTI to come under the supervison of the SEBI. The then Chairman, my friend will kindly remember, Mr. Pherwani refused. he said, "The SEBI cannot supervise, cannot monitor the UTI. This is beyond it because we have our parentage in a different Act, that is, the UTI Act." After the departure of Mr. Pherwani, Mr. Dave became the Chairman, of the UTI. He also gave the same argument and said, "We are beyond the control. beyond the touch and beyound the supervision of the SEBI. It is not under the Government of India because it is a public sector company." Then under whose control is it? Who supervises it? Sir, I would like to inform you that, for a number of years the accounts of SEBI, the accounts of UTI, were not audited. My friend knows that. They were never audited. They were never allowed to be audited. The flagship of the Indian financial institutions totally was left uncared for. Sir, if you leave it to the market forces and if you leave it uncared for, then why is it so that the Government has to give a guarantee for the Units so that the confidence of the investors is not lost? This is a paradox. Therefore, Sir, I feel there has to be a serious soul-searching. I believe that there is still a soul in the Government. There should be some soul-searching in the Government. Sir, the point is that the UTI has to be made accountable, the UTI has to be made transparent, the UTI has to be made strong and it has to move according to certain norms. The UTI cannot be allowed to move in its own whimsical ways. Sir, I can give you one or two or three instances as to why it has been allowed to come to such a situation. Sir, the UTI has no long-term leadership. It has no long-term leadership because the Government of India is completely fickle.

Fickleness is the attitude of the Government, so far as the appointment to the position of the Chairman of the UTI is concerned. The Government is a continuous process. I do not blame this Government alone for the debacle that the UTI has suffered. I do not blame it alone. But you have to take the responsibility because the crisis has matured at a point of time when you are at the helm of affairs. The Government does not make up its mind on the question of appointment. The issue of appointment has been kept pending over the years. As a result, *ad hocism* seems to have taken over the top leadership of the UTI.

Secondly, it is unfortunate that I have to share this information. There is a constant leakage of decisions from the UTI. Whenever the UTI Board takes a decisioin that these are the scripts to be

purchased, or, the UTI takes a decision that this has to be done, before the decision is implemented, it goes to the market. The market reacts to it. Therefore, I have a strong feeling that there are people on the Board of the UTI who are patrons not of the UTI but of some big corporates who take advantage of the decisions of the UTI for their own interest. There is a constant leakage. They have been perpetually in that position. Therefore, the question is, there has been mis-advanture on the part of the UTI. They have been speculative investments. There have been pandering to the whims of the selected business houses with private placements, and this is repulsive, uneconomic and sometimes delinquent. Sir, let me cite an instance. Why did the UTI make private placements with the Reliance in 1990? They purchased the Reliance shares at a premium, and after the bulk of shares were purchased at a value of Rs. 700 crores, there was a decline in the price of the Reliance shares. The UTI had incurred loses but the Reliance was bailed-out. Is it the task that the investors or the shareholders of the UTI have given to the UTI Management? Therefore, the question is, immediate action needs to be taken. The Act needs to be amended. The UTI Act needs to be amended. The UTI needs to be made more transparant. The UTI must be asked to follow certain norms and the UTI must be made accountable, at least, to somebody. At least, to SEBI or the Ministry. Let the hon. Minister say that it is their responsibility or the responsibility of the Parliament. We have been clamouring for a long time that Parliament should have its control on the functioning of the leading financial institutions of the country — not by interference. The Parliament does not like to interfere. We would like to look into it. Never had we been able to look into it. Neither of the Governments. My friend is here; he was a Member of the Joint Parliamentary Committee which looked into the Securities Scam. We recommended parliamentary control. We recommended Parliamentary supervision. We recommended that Parliament has a job with regard to the functioning of the financial institutions of the country. It has been ignored by one Government after the other and now the country has to pay the price. The UTI is declining and the Government gives a guarantee. Why were the MNCs allowed to be perpetuated? Why was something else not done on time? Why were the audit reports not taken note of? What was the representative of the Government of India, Ministry of Finance, on the UTI Board doing? What was the RBI doing? Sir, this is a greater scandal. It is a scandal. it is a scandalous irresponsibility on the part of those who are looking after the Ministry of Finance. They have absolutely failed to do their job, either deliberately, or, ignorantly. The reason is for them to explain. Why did they not do something much earlier? Therefore, the Government has failed to do its job. It is for the government to do the job. It is for the Government to look into the work of the UTI more scrupulously and do its job. If the Government fails, it is for the Parliament to rise to the occasion and initiate a Parliamentary enquiry into all the misdeeds that led to such depreciation of value, affecting the return on the investments of millions of investors.

Sir, I am concerned because a large part of the welfare fund of workers, a large part of the provident fund is invested there. It is not the Government's fund. It is not the investment of any bluechip corporation. A large part of the provident fund money is invested in the UTI. A large part of the welfare fund is invested in the UTI. A large part of the investments of the common man is invested there. Therefore, if the return is less, the common people will be affected. That is one aspect. Another aspect is that with the rise and fall of the UTI, the stock market is going to be affected. How can you bring in foreign funds? How can the morale of the investors really be strengthened, if there is a fall and depreciation in the real assets of the UTI? It is

directly connected. The question of improvement of secondary market, the question of improvement of environment of investment, the question of inflow of foreign funds, the question of the confidence of small investors are all intimately interlinked with the health and the behaviour of the UTI. Here, the Government has failed. It is for them to look for remedial measures. if the Government fails, it is for this great House, the Rajya Sabha, to take note of this and initiate measures on its own by appointing a Parliamentary Committee to look into the causes of this debacle the inaction of the Government with regard to the UTI.

श्री जनेश्वर मिश्र (उत्तर प्रदेश): सभापति महोदय। देश के सारे अर्थ-जगत में जो अव्यवस्था फैली है। यू०टी०आई० भी उसकी शिकार है और इसके लिए सरकार की लापरवाही बहुत सीमा तक जिम्मेवार बनती है। यहां मैं उन बातों को नहीं दोहराऊंगा कि इस तरह की प्राइवेट संस्थाओं में पारदर्शिता का अभाव रहता है, सरकार की दखलन्दाज़ी कम होती है, वह हस्तक्षेप नहीं कर पाती और मनमानापन बढ़ जाता है और उसका नतीजा यह हुआ कि छोटे-छोटे निवेशकों के लिए जो संस्था बनाई गई थी, आज वह संस्था दिवालिएपन के रास्ते पर जा रही है। हालत यहां तक बिगड़ी है कि बैंक अब इस यू०टी०आई० संस्था को पैसा देने से कतराते हैं मैं वित्त मंत्री जी से मांग करूंगा कि वे इस बात की जांच करें कि पिछले 6—8 महीने या एक साल में पहले के मुकाबले बैंक यू०टी०आई० को पैसा देने में कितनी कमी कर रहे है। अध्यक्ष महोदय। यह हालत इसलिए आई है, अभी गुरूदास दासगुप्त जी ने भी इशारा किया, कि एक बड़ा पूंजी घराना है, उसने दो सैंकड़ा पर एक हजार करोड़ रुपए के शेयर खरीद लिए यू०टी०आई० से। वह किसी और धंधे में लगाता, उसकी बजाए वही रुपया उसने यू०टी०आई० में निवेश कर दिया और उसके बदले में 16 सैंकड़ा सूद उस बड़े घराने को यू०टी०आई० को देना पड़ रहा है। दो सैंकड़ा पर खरीदा जाए और 16 सैंकड़ा सूद लिया जाए, ये बड़े दौलतमंद लोगों के खेल हुआ करते हैं। उसकी वजह से यू०टी०आई० का चेयरमैन मजबूर हो गया और उसने कहा कि अब हम निवेश कम करेंगे और 20 सैंकड़ा की कटौती करेंगे। लोगों में घबराहट हो गई और वे अपने-अपने शेयर का पैसा वापिस लेने के लिए लाइन लगाने लगे। मैं लम्बी बात नहीं करूंगा और न उन बातों को दोहराऊंगा जो बातें कही जा चुकी हैं, लेकिन इतना जरूर कहूंगा कि सरकार की तरफ से इस पर हस्तक्षेप होना चाहिए, यू०टी०आई० को जिंदा रखा जाना चाहिए क्योंकि छोटे निवेशकों के लिए यह एक वरदान संस्था थी और यह वरदान संस्था मरने न पाए, इसके लिए यह जांच होनी चाहिए कि ये बड़े पूंजी घराने, जो छोटे निवेशकों की पूंजी से, जो लोग पी०एफ० बचाते हैं, जो पैसा वे अपने भविष्य के लिए कुछ कल्पना करके जमा करते हैं, उस पैसे का इस तरह से नाजायज़ इस्तेमाल वे न करने पाएं। इस साजिश का पर्दाफाश होना चाहिए, इसके खिलाफ कार्रवाई होनी चाहिए और रिज़र्व बैंक की तरफ से यह काउंटर दी जानी चाहिए यू०टी० आई० को कि उसका धंधा बैठने नहीं पाएगा। हर तरह से सरकार की तरफ से मदद हो और अगर वाक्यी यू०टी०आई० स्कैंडल में फंस गयी है, जैसा कि माननीय सदस्यों ने इशारा किया है, तो वित्त मंत्रालय को इसकी जिम्मेदारी लेनी चाहिए कि उसे कैसे उस से मुक्त कराया जा सकता है। सभापति जी, यहां वित्त मंत्रालय दखल नहीं देगा क्योंकि कॉमन विनिवेश करने वाले लोगों ने पूंजी लगायी है, सामान्य लोगों ने पूंजी लगायी है। यह देश के सामान्य लोग हैं, छोटे लोग हैं और उनकी पूंजी अगर इस तरह से डूबती है, तो यह भारत सरकार और वित्त मंत्रालय....

MR. CHAIRMAN: Now, it is 1 o'clock and we still have a number of speakers. So, we can either adjourn till 2 o'clock or continue with the work.

श्री जनेश्वर मिश्र: सभापति जी, मैं दो मिनिट में खत्म कर दूंगा।

श्री सभापति: आप खत्म कर लीजिए लेकिन there are other Members who also want to speak. So, we will have to continue.

SHRI PRANAB MUKHERJEE: Sir, we can continue after lunch.

MR. CHAIRMAN: We adjourn till 2 o'clock. But, after that we will continue with the Calling Attention Motion. The House stands adjourned till 2 o'clock.

> The House then adjourned for lunch at one minute past one of the clock.

The House reassembled after lunch at four minutes past two of the clock—**The Vice-Chairman, (Shri Adhik Shirodkar)** in the Chair.

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): Shri Janeshwar Misra to continue.

श्री जनेश्वर मिश्रः उपसभाध्यक्ष जी, मैं लगभग अपनी बात भोजनावकाश के पहले कह चुका था, उसको मैं दोहराऊंगा नहीं, लेकिन शुरू करूंगा कि इन परिस्थितियों को देखते हुए, परिस्थितियां मैंने बता दी कि यूनिट ट्रस्ट के मामले में बड़े उद्योग घराने हेराफेरी कर रहे हैं, यह आरोप मेरे से पहले के सदस्यों ने भी लगाया है, उसके चलते चेयरमैन ने यह घोषणा कर दी कि अब निवेश कम करेंगे और बीस सैकड़ा की कटौती करेंगे। इसका असर यह पड़ा कि जितने पैसा जमा करने वाले लोग थे और वे बड़े गरीब लोग हैं, छोटे-छोटे बच्चे भी है, जिनके नाम से मां-बाप पैसे वहां जमा करते हैं। वे सब लाइन में खड़े हो गए, मान लिए कि अब इससे कोई फायदा नहीं होने वाला है। यह घाटे पर जा रहा है। माननीय मंत्री जी ने भी जो अभी वक्तव्य दिया है उसके तीसरे पैरा को अगर यह ठीक से पढ़ेंगे तो इन्होंने खुद कबूल किया है कि इसका नेट एसेट लगभग नहीं के बराबर जा रहा है। उसका कारण उन्होंने बताया है कि सारी दुनिया के आर्थिक जगत में गिरावट आई है और शेयर मार्केट में उसका असर भी इस पर पड़ गया। लेकिन यह यूनिट ट्रस्ट है और ट्रस्ट ट्रस्ट की चीज़ हुआ करती है। एक बार किसी ट्रस्ट से जब भगदड़ मच जाती है लोगों का भी विश्वास खो जाता है तो उसके बाद बहुत मुश्किल में पड़ जाता है। हमने शुरू में कहा था कि यह जांच होनी चाहिए कि क्या देश के बड़े घराने भी इसमें घुस रहे हैं और उनका जो रुपया कमाने का तौर-तरीका हुआ करता है वह अलग प्रकार का हुआ करता है, जबकि आम आदमी का बहुत ही सामान्य तरीका होता है। वह पांच रुपया लगा करके कैसे 50 पायेंगे यह सोचा करते है और अगर वह बड़े घराने इसमें घुस गए तो यह मामूली सी योजना खटाई में पड़ जाएगी और खतरे में पड़ जाएगी। भारत सरकार को इसकी जिम्मेवारी लेनी चाहिए और जिम्मेवारी ले करके एक तो जांच करानी चाहिए कितने बड़े घराने हैं जो इसमें हेरा-फेरी कर रहे हैं और इसके अंदर घुस गए हैं, क्योंकि वे पूरे बाजार में आतंक पैदा कर देते हैं। दूसरे पिछले कुछ दिनों से बैंकों ने यूनिट ट्रस्ट को रुपया देना बंद कर दिया है। इसके क्या कारण हैं? कितनी गिरावट आई है कि बैंकों ने रुपया देना बंद कर दिया है और बैलेंस शीट नेगेटिव में आ गई है? यह एक अजीब सी स्थिति हो गई है। ऐसे में कोई भी ट्रस्ट तंदरूस्ती के साथ चल नहीं सकता है। अंतिम सलाह मैं सरकार को दूंगा कि चाहे रिज़र्व बैंक का हो आग किया जाए और काउंटर गारंटी दे करके इसको पुनः जीवित किया जाए, ताकि सामान्य आदमी अपनी दौलत अगर कहीं जमा करता है तो उसको वह सुरक्षित महसूस कर सके और उससे आमदनी ले सके।

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): Thank you Mr. Janeshwar Misra. Next speaker is Mr. C. Ramachandraiah.

DR. ALLADI P. RAJKUMAR (Andhra Pradesh); Sir, Mr. Ramachandraiah, may be permitted to speak from the front Bench.

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): Okay. Mr. Ramachandraiah, kindly remember it is only clarifications. Kindly confine yourself to clarifications. For you and for other Members who will follow three minutes each are given. There will be only clarifications.

DR. ALLADI P. RAJKUMAR: On behalf of our party we gave his name. This is unfair. We have to put forth our party's views.

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): I have got a list of names here for seeking clarifications. We have accommodated Members from all parties. As you know, in Calling Attention you have to ...*(Interruptions)*...

DR. ALLADI P. RAJKUMAR: Members from other political parties got 15 to 20 minutes each to seek clarifications. Why are you giving three minutes to each Member belonging to smaller parties.

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): Dr. Alladi, you are not from a small party. Don't worry. Mr. Ramachandraiah, please proceed.

SHRI C. RAMACHANDRAIAH (Andhra Pradesh): Mr. Vice-Chairman, Sir, I may be allowed some more time to speak.

The question is whether the concept of mutual funds is serving the purpose. That is the question the nation is facing. A small investor may not be that much wise enough to invest, to judge the capacity of a company about its profitbility and viability. An intermediate mechanism has been devised to mop up savings from the common man; and to invest them in a corporate sector for manufacturing purposes. I do not call it a financial fiasco. But the point is has it served the purpose? So, the Unit Trust of India which happens to be the biggest mutual fund of the government has behaved, undoubtedly, less intelligently compared to a common investor. There are two objectives, purposes, of these intermediaries—to minimise the risk of investment and to get an assured rate of return to the investor. Sir, where is the necessity for imposing a prohibition that it should not be lent as a term loan? A term loan is highly liquid, and an assured rate of return will be there. The Finance Minister has mentioned 'volatility of the capital
market' and 'the international scenario'. These are there. But that is not the sole reason. We can search for a scape-goat. But we should not make the common man a sacrificial goat. Thanks to the public-still they have got confidence in the Government—they have not gone panicky; otherwise, if there was a queue for the redemption of these units, the Unit Trust of India should have been on the verge of bankruptcy. thanks to the Finance Minister's timely statement that the Government, with all its command, is there to salvage the Unit Trust of India. Sir, this erosion started in 1993 itself. From 1993 to 1997, the dividend that has been paid to the unit-holders is more than the income that has been derived from these investments. In 1997-98 only, a surplus of Rs. 76 crores has been made. What are the efforts? I do not blame the present Government. Government is a continuous one. What are the measures that have been initiated to avert this erosion? I fully agree with Shri Gurudas Das Gupta that no chairman was allowed to continue for a period of three years. After Mr. Dave, Mr. Jagdish Kapur was there for nine months and Mr. Gupta was there for around one and a half years. Why this *ad-hocism?* It is a very premier financial institution. It has been created to protect the interests of millions of investors. Why was there such lethargy on the part of the Government in appointing the CEO?

Sir, the second aspect is this. It is true that before a decision is taken, when the proposals as to which companies the organisation has to invest in are being discussed, the news is leeked out. I would like to give you one example. This year's audit report was signed on September 25th. By 27th September, the differences between the trustees and the financiers reached the stock market and it played havoc. The management that is there to protect the interests of the investors has got its own vested interests. So, the Government has to keep a continuous watch over things. There is no long-term leadership. It is purely *ah-hocism*. One more aspect is, to what extent it should have exposure towards equity. As of today, the Finance Minister has said that 64 per cent is the equity exposure. With all the present economic scenario, volatility of the capital market, in this particular intra-year, the downgrading is 20—30 per cent in the stock market. Will it be safe to invest in equity? The Government has got its own policy. In fact, in 1991, they have given a direction to redeem all these term loans. Is it prudent? I do not think it is prudent. Sir, the UTI investment should have first liquidity and an assured rate of return. Then only can it safeguard the interests of the unit holders with regard to the intrinsic worth of their units and an assured payment which is 20 per cent today. Sir, I would like to make one suggestion to the Government that the situation has to be salvaged. I think, the finance minister has constituted a Deepak Committee to salvage the UTI. They have made some proposals about which we have read in the newspaper that some

special vehicle is being created and that this ill-liquid, worthless paper will be transferred to the SAP. But I would like to know from the hon. Finance Minister as to from where he will get money. Again, it is public money. So, for all the misdeeds of the management of the UTI and the lethargy of the Government, you are punishing the people. It is the peoples' money which again you have to invest in the special vehicle. Sir, I request the Finance Minister that this issue has to be taken very seriously. Already, the capital market is in a very low position. It is in a very bad shape. Now, the UTI's dismal performance is eroding the confidence of the common investors. We are taking some radical and revolutionary decisions. But those decisions have to be very practical. I request the Finance Minister that the mechanism which he is devising—the special vehicle system—should be a once-and-for-all affair. This should not be repeated. The UTI has to be taken out of the Government's control. The capital market has to be revived. How can you do it without restoring the confidence of the common man? So, its net asset value should be given. There is a controversy with regard to NAB whether it should be linked with NAB units or not. We are not professionals to suggest anything. But I would request that a rational decision has to be taken to restore the confidence of the people. Sir, I will conclude by saying that US-64 scheme must be turned into an honest Mutual Fund, run on transparent accounting principles, requiring a new, more credible financial system. Thank you.

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): May I remind the hon. Members that the Calling Attention is only for seeking clarifications? Kindly confine yourself to the clarifications instead of repeating the points. Shri C. O. Poulose.

SHRI C. O. POULOSE (Kerala): Mr. Vice-Chairman, Sir, I want to make certain points with the hope that the Finance Minister will clarify the same in his speech. The Minister has stated in his statement that as on 30.6.98, the balance sheet of US-64 was drawn shows a net loss in investment to the tune of Rs. 3,566 crores, which is not a comprehensive statement. According to the balance sheet of 1998, the major schemes of the UTI schemes suffered a loss. The Master Shares-96 fell from Rs. 2,243 crores to Rs. 1,600 crores; Master Plus-91 fell from Rs. 2,272 crores to Rs. 1,765 crores; CGUS-92 fell from Rs. 2,996 crores to Rs. 2100 crores; MEP-92 fell from, Rs. 1,360 crores to Rs. 868 crores. In total, according to the balance sheet, the UTI has lost an amount of Rs. 10,148 crores in investment. According to the last balance sheet the value of total investment was Rs. 58634 crores. Now, it values only Rs. 48466 crores, that is, a loss of Rs. 10148 crores. That is why I am saying that the statement made by the Minister is not comprehensive. What are the reasons? Almost 20 per cent of NAV value have diminished. What is the cause? The cause, in my opinion, is directly linked to the policy of the Govrnment. After the Pokhran explosions of last May, the subsequent sanctions against our country by the major developed countries are the main reasons for this sort of crisis faced by the share holders of UTI and other companies. The BSE sensex is hovering between 2,600 and 2,900 points. In PSUs like ONGC, Indian Oil, State Bank of India, Bharat Earth Movers, Shipping Corporation, IDBI and SAIL, altogether where UTI invested most, the value of investment has depressed in such a way. It is because of the policy of the Government, especially after the Pokhran explosions and the sanctions against our country. It is also because of the contribution made by the mismanagement of the Government and of their accounting policies.

The second point I want to raise is that now the Government has resorted to some short-term measures to revive what is lost. The UTI is arbitrarily purchasing

units from the market. It has fixed a price of its own. Does the Government think that the activity of purchasing units at an arbitrary price will get UTI restore its foremost position? Net value assessment is not made properly. Not only that. The dividend is declared at 20 per cent without considering the relative net value of the assets of UTI. The investment policy is frequently changed. Sometimes, it is 70:30. Sometimes, it is 60:40. It is altered frequently. My colleague has pointed out that the leadership is also frequently changed. In total, what I intend to mention is that the policy of the Government, the structural policy and the political policies of the Government, has led to this sorrow state of affairs of the UTI. The Government should come forward for the rescue of investors. For that, the Government should try to review the policy followed by it; otherwise, these short-term measures won't do. I request the Government to clarify whether it is trying to review its policy. The Government has mentioned that there is a six-member Committee to review the policy. The committee can review only the details, but the major policy changes that have been brought in are the root-cause which contribued to this crisis. That is what I want to mention. I hope the Minister will clarify this point.

SHRI R.K. KUMAR (Tamil Nadu): Mr. Vice-Chairman, Sir, I will be very, very brief on two or three points. In my view, Sir, UTI deserved all criticism earlier to this year. They were not on the correct path as far as the accounting is concerned. A lot of criticism has been voiced as to why the net asset value was not being declared earlier. As an accountant, I would like to explain to my colleagues that there are three methods of accounting. Suppose UTI buys a 10-rupee share at Rs. 100/- in the market.

In its book, so long as it carries the stock, the hundred rupees remain. Suppose it is quoted on the date of the UTI balance-sheet at Rs. 150, I can't take the national profit. But on the date of the UTI balance-sheet, if it is quoted at 90, I must book that national loss. It is the prudent accounting policy. Yet another method of accounting is that I book the profit and loss only on actual sale or purchase and don't bother about the notional appreciation or notional depreciation. What seems to have been done by the UTI earlier is booking of the actual loss or profit on actual sale and not notional appreciation or notional depreciation. This is very evident. My learned friend, Mr. Narendra Mohan, referred to the balance-sheet. I have also gone through that. It is very important to give the impace of the accounting policy change. Look at Note No. 5. It very clearly says that if the aggregate value of investment is compared with the aggregate cost and the resultant depreciation, if any, is charged to general reserve. This year there has been a change in the accounting policy, a change in the accounting method. That is why, after adjusting the credit in the reserve account, the position has come to net negative reserve. There is nothing wrong. I think the UTI has come to the correct path and they should continue this accounting practice to give the correct picture to the investors. The only thing which I want to point out to the hon. Finance Minister is that I am not happy with the business of aggregating. I must ignore the appreciation. I must only take the depreciation into account. Suppose I bought Rs. 10 share of "A" limited for Rs. 100 and its value on the date of the balance-sheet is Rs. 150, and I bought Rs. 10 share of "B" limited for Rs. 100 and its value on the date of the balance-sheet is Rs. 50. I can't say that the notional appreciation of Rs. 50 and notional depreciation of Rs. 50, if set off, has no effect on my accounting. I must ignore the appreciation. I must take into account the notional depreciation. That will be a still prudent accounting policy. I think the UTI should gradually come to that. What I what to tell my hon. colleague is that there is nothing wrong and there is nothing to be alrarmed

about. For that matter, in the case of banks, if all the depositors come and demand their deposits back, no bank can pay it on a day. That is why the system of cash reserve ratio and statutory liquidity ratio has been prescribed. Certain amount has to be kept in the Government securities and certain amount has to be kept in the Reserve Bank of India. Similarly, in the case of investments, you can't sell all the investments in one day and all the unit-holders are not going to come and ask you to repurchase on the same day. The question is whether the method followed is prudent. I find that this year the whole problem has arisen because the UTI has come to the correct path. Earlier they were not on the correct path. This can be further improved and further corrected. I drew the attention of the hon. Finance Minister to Note-5. I am not happy with the business of aggregating as per Note-5. It should be separate. You ignore the appreciation. You take the depreciation into account and do your accounting.

Secondly, an hon. Member has mentioned that equity exposure should be reduced. In the same breath he has said that the capital market should be revived. I don't know how a premier institution like the UTI can do it. If it reduces the equity exposure, I don't know how you will revive the capital market and what will be the method.

As regards the third thing, that is day-to-day operation, which shares are to be bought and which shares are to be sold, the names of certain companies have been mentioned by the hon. Member, Shri Gurudas Das Gupta. I am not bothered about "A" company or "B" company. But the problem is of decision-making. What is happening in banks? It is a business. If I take 20 decisions or give 20 notes or do 20 transactions of purchase and sale, ten will be profitable, five will be break-even and I am bound to lose five. There is nothing wrong. It is business. If it is 100% written, it means that I have to simply deposit the money in the bank for interest. I can't do any business. In banking also it is similar. Giving loans is also a business. If I make ten loans, six will be profitable, two will be break-even and two will be bad loans. You can't avoid it. So, the problem has arisen because of putting excessive question of accountability on decision-making. Nobody takes any decision.

Similarly, in the operation of UTI, the decision to buy and sell is the decision of professionals who are managing it. So long as they do an honest job, so long as there is no culpable negligence, so long as there is no criminal collusion, we should not bother. There should be more operational freedom and an honest decision should be taken. Thank you.

RE. THE MAJOR PORT TRUSTS (AMENDMENT) BILL, 1998

THE VICE-CHAIRMAN (SHRI ADHIK SHIRODKAR): May I have the sense of the House? I have with me five more speakers. Shri Thambi Durai The Hon'ble Minister wants to introduce the Major Port Trusts (Amendment) Bill, 1998. Mr. Minister.

THE MINISTER OF SURFACE TRANSPORT (SHRI M. THAMBI DURAI): Sir, ...

SHRI JIBON ROY (West Bengal): Sir, I want to say something.

THE VICE-CHAMRIAN (SHRI ADHIK SHIRODKAR): On the introduction of the Bill? SHRI JIBON ROY : Yes, Sir. It is the most important Bill. Its ramifications are wider than the Insurance Regulatory Authority Bill. We have been given only one day. This Bill was circulated only yesterday and it is being moved today. If the Bill is passed—I am not going into the merits of the Bill—our major ports will be handed over gradually to multinationals. A wider discussion is necessary before passing this Bill. They should discuss it with all the political parties. They should discuss it